

**PUBLIC DISCLOSURE**

JUNE 26, 2002

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**NEMCH CREDIT UNION**

**750 WASHINGTON STREET  
BOSTON, MA 02111**

**DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110**

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **NEMCH CREDIT UNION** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"**

The credit union's Composite Rating of "Satisfactory" is based upon three performance criteria. (1) The credit union's Net Loan to Deposit (Share) ratio, has averaged 66.4% for the period June 30, 2000 through December 31, 2001 and is considered to meet the standard for a satisfactory performance. (2) A review of a sample of the credit union's consumer loans from January 1, 2001 to June 21, 2002, revealed that the distribution of loans to borrowers of different income levels, particularly to those of low and moderate-income levels, was satisfactory. (3) No CRA-related complaints have been received since the previous examination and the fair lending examination revealed no evidence of discriminatory or illegal credit practices and fair lending practices were determined to be satisfactory.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

NEMCH Credit Union was chartered by the Commonwealth of Massachusetts in 1969. According to its by-laws, membership in the NEMCH Credit Union is limited to employees of New England Medical Center Hospitals, Inc., Tufts-New England Medical Center, Inc., TMCA Foundation, Inc., Pratt Medical Group, Inc., and Dialysis Clinics, Inc, as well as former employees.

The credit union's main office is located at 750 Washington Street in Boston, Massachusetts. The credit union has no other full service office location. NEMCH Credit Union's business hours are Monday and Thursday 9:00 a.m. to 4:30 p.m.; Tuesday and Wednesday Noon to 4:30 p.m.; and Friday from 9:00 a.m. to 2:00 p.m. Hours of operation appear convenient and accessible to members.

As of December 31, 2001, the institution had total assets of \$8,082,959. As of December 31, 2001, gross loans to members totaled \$3,655,415 or 45.2 percent of the institution's total assets. NEMCH Credit Union's credit products consist of consumer loans; including personal secured and unsecured loans, and new and used automobile loans.

Used vehicle loans represent the largest percentage by dollar volume of the loan portfolio with 43.2 percent. Unsecured loans are next with 39.6 percent, followed by new vehicle loans with 17.2 percent. Unsecured loans represent the largest percentage of loans by number at 75.9 percent.

The Commonwealth of Massachusetts Division of Banks on August 27, 1998 last examined the credit union for compliance with the Community Reinvestment Act. That examination resulted in a CRA rating of Satisfactory.

### **Description of Assessment Area**

In accordance with the requirements of 209 CMR, section 46.41, a credit union which defines its membership by association rather than location may identify its membership as its assessment area. NEMCH Credit Union has elected to identify its assessment area in this manner. According to its by-laws, membership in the NEMCH Credit Union is limited to employees of New England Medical Center Hospitals, Inc., Tufts-New England Medical Center, Inc., TMCA Foundation, Inc., Pratt Medical Group, Inc., and Dialysis Clinics, Inc, as well as former employees

As of December 31, 2001, the credit union's membership totaled approximately 2,702 with a potential membership of 3,300.

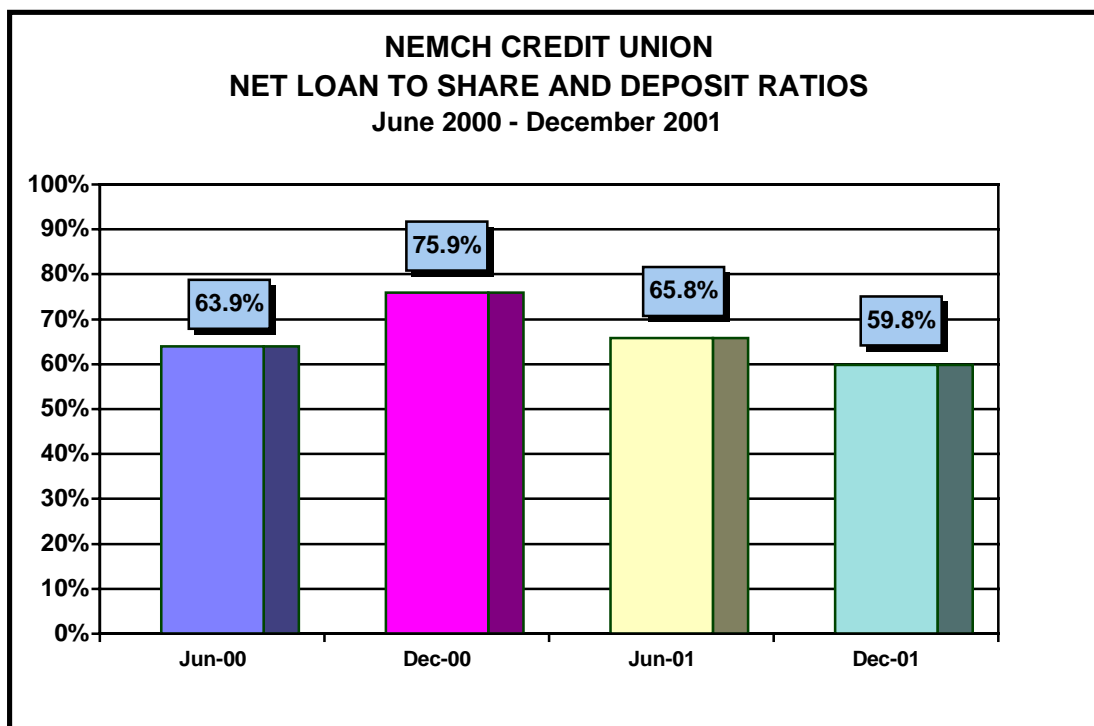
## **PERFORMANCE CRITERIA**

### **1. NET LOAN TO DEPOSIT (SHARE) ANALYSIS**

An analysis of NEMCH Credit Union's net loan to deposit (share) ratio was performed during the examination. The calculation incorporated four semi-annual NCUA 5300 Call Reports of the credit union's net loan to deposit (share) figures. This review included reports from June 30, 2000 through December 31, 2001.

The credit union's average net loan to deposit (share) ratio for the period under review was determined to be 66.4%. The analysis revealed that during the period the ratios have fluctuated from a high of 75.9% on December 31, 2000 to a low of 59.8% on December 31, 2001.

The following graph is provided for further analysis.



Net loans have decreased by approximately 4.5 percent from June 30, 2000, to December 31, 2001. Deposit growth has increased steadily for the same period by approximately 11.6 percent. During 2000, loans grew by 12.2 percent while shares and deposits declined by 5.5 percent resulting in the increase to 75.9 percent on December 31, 2000. However, during 2001 loans decreased by 6.93 percent while deposits increased by 2.32 percent, leading to the overall decline in the ratio.

As of December 31, 2001, the NEMCH Credit Union's net loan to deposit (share) ratio was 59.8 percent. As indicated in the following table, other similar industrial credit unions had ratios ranging from 60.6 percent to 78.0 percent as of December 31, 2001.

<b>Net Loans to Shares and Deposits as of 12/31/01</b>		
<b>Institution</b>	<b>Assets (in millions)</b>	<b>Percentage</b>
Malden City Employees C. U.	\$10.5	60.6
Cabot Boston C. U.	\$9.5	61.1
Brockton Postal Employees C. U.	\$9.6	77.7
Chelsea Employees C. U.	\$7.8	78.0

Based upon the above information and the credit union's capacity to lend, asset size and the credit needs of the membership, NEMCH Credit Union meets the standards for satisfactory performance in this criterion.

## **2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)**

As mentioned earlier, a credit union whose membership by-laws are not based on residence, such as the NEMCH Credit Union, may define its membership as its assessment area. Since NEMCH Credit Union has elected to define its assessment area in this manner, no evaluation of geographic performance factors was conducted.

## **3 DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS**

The credit union originated 975 loans in 2001 and 304 loans as of June 21, 2002. The originations include unsecured loans and new and used automobile loans. A sample of 76 consumer loans for 2001 and 26 consumer loans for year-to-date June 21, 2002 was taken to determine the distribution of credit based on the income levels of the borrower. The vast majority of the loans reviewed were extended to members residing in the Boston Metropolitan Statistical Area (MSA). The originations were categorized by the ratio of the applicant's income to the estimated 2001 and 2002 median family income of the Boston MSA, which was \$70,000 and \$74,200 respectively. The income figures are based on estimated Department of Housing and Urban Development (HUD) information.

The US Census Bureau defines low income as income below 50 percent of the median family income level for the MSA. Moderate income is defined as income between 50 and 79 percent of the median family income. Middle income is defined as income between 80 and 119 percent of the median family income and upper income is defined as income greater than 120 percent of the median family income.

**Loan Originations by Income of Borrower by Number**

% of Median MSA Income	2001		Year-to-date June 21, 2002		Total	
	#	%	#	%	#	%
<50%	24	31.6	10	38.5	34	33.4
50% - 79%	28	36.8	8	30.8	36	35.3
80% - 119%	16	21.1	2	7.7	18	17.6
120% >	8	10.5	6	23.0	14	13.7
<b>Total</b>	<b>76</b>	<b>100.0</b>	<b>26</b>	<b>100.0</b>	<b>102</b>	<b>100.0</b>

Source: Credit Union loan files

**Loan Originations by Income of Borrower by Dollar Amount**

% of Median MSA Income	2001		Year-to-date June 21, 2002		Total	
	\$(000)	%	\$(000)	%	\$(000)	%
<50%	103	20.7	26	17.3	129	19.9
50% - 79%	209	42.0	61	40.7	270	41.7
80% - 119%	130	26.1	7	4.7	137	21.1
120% >	56	11.2	56	37.3	112	17.3
<b>Total</b>	<b>498</b>	<b>100.0</b>	<b>150</b>	<b>100.0</b>	<b>648</b>	<b>100.0</b>

Source: Credit Union loan files

As noted above, the majority of loans were made to low and moderate-income borrowers with 68.7 percent (combined) of the total number of loans and 61.6 percent of the total dollar amount of loans.

It should be noted that the majority of consumer loans reviewed were granted to single applicants. Therefore, the percentage of originations to low and moderate-income members is somewhat overstated, since the comparison of income is made to median family income.

Based upon the foregoing analysis it appears that the credit union's lending is adequately distributed to borrowers of various income levels, including those of low and moderate-

income. Performance in this category is therefore considered to meet the standards for satisfactory performance.

#### **4. GEOGRAPHIC DISTRIBUTION OF LOANS**

Given the fact that the credit union defines its assessment area as its membership, as opposed to a geographical area, an analysis of credit extended by census tract income level was not conducted.

#### **5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES**

##### **RESPONSE TO COMPLAINTS**

The credit union has not received any CRA related complaints since the previous examination.

##### **FAIR LENDING POLICIES AND PRACTICES**

The credit union manager makes a concerted effort to keep the staff aware of all CRA related issues. The credit union employs three full-time and one part-time employee. Marketing consists of bulletin boards, newsletters and statement stuffers to reach as many of its members as possible on a regular basis. The credit union offers a variety of unsecured and automobile loan products. The staff works with those members in need of credit counseling. The credit committee reviews all declined loan applications.

# THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

## **NEMCH Credit Union**

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **June 26, 2002**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_



# PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.